3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Hungary could be relied on to supply iron ore or bauxite, and the existing iron and steel works at Donawitz in Styria were better situated than Linz to handle ore from the Iron Mountain. Ranshofen was not well placed in relation to Austrian supplies of electric power. Above all, the Hermann Goering Works were entirely dependent on the supply of hard coal for their coking furnaces, and Austria was already seriously short of this essential commodity. Whereas Hitler had the coal-fields of Poland and Czechoslovakia at his disposal, Austria in pre-War years had already been dependent on imports for two-thirds to three-quarters of her coal supply. The requirements of the Linz works made the position much worse.

The new developments implied a fundamental change of emphasis in the whole national economy, and it was by no means certain, or even likely, that the change would be for the better. It would probably have been sounder for Austria to rely on the traditional skill of her workers in the consumer-goods industries than to attempt to compete with the most powerful industrial countries in basic production. The dangers might not be apparent in the immediate post-War years, owing to the inflated demand for iron and steel products, but they were likely to reveal themselves in the course of time. A serious depression in the world's basic industries or a failure to obtain the coal and raw materials on which Austria's basic industries depend might have very serious consequences on the country as a whole. The choice, however, was not Austria's own. The change that occurred was the main positive legacy of the period of Nazi occupation.

Two of Austria's chief natural resources are her mineral oil and her hydro-electric power. These were developed by the Germans rapidly during the War, but in each case with little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have raised her from a struggling country to a prosperous one. It is one of the hardest blows that have fallen on the Austrian people that such a gift of Providence should have been exploited successively by two unscrupulous foreign Powers and should

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

never yet have been used for the benefit of the people themselves. Between 1937 and 1944 the annual production was raised from 33,000 tons to 1,200,000, but this result was only achieved by uneconomic and wasteful methods that were damaging to the oil-fields and would not normally have been employed.

Under German occupation hydro-electric power production was also developed considerably. Between 1937 and 1945 the potential output of current was raised by about 61 per cent. But the extra power made available was not intended primarily for Austria's benefit. The country was split up and incorporated in separate 'power regions' of the Reich, the Vorarlberg being allotted to Baden, the Tyrol to Bavaria, and the eastern provinces joined up with Bohemia and Silesia. There was no direct transmission line between the eastern and western provinces. This arrangement made it impossible for Austria to utilize to the full her hydro-electric current when the War came to an end.

In spite of the numerous disadvantages, however, the economic effects on Austria of the *Anschluss* and the War were not entirely bad. German energy and efficiency brought direct results that otherwise were unlikely to have been achieved so quickly. Austrian interests were not consciously regarded during the process, but when Austria was restored to life some of the results turned out to be good and some were of potential value.

Although hydro-electric developments in Austria had been considered by the Germans as part of a greater whole, the new plants available on Austrian territory after the War were a valuable national asset. In course of time the grid could be adapted to suit Austrian needs. Furthermore, the fact that the Germans attached so much importance to Austrian current underlined its significance in Austrian eyes as a potential major export. During the post-War years Austrian statesmen and economists have been more conscious than ever before of the value of Austria's vast hydro-electric resources to the country's economy as a whole.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 315 In the same way, against the ruthless and damaging methods by which Austrian oil-fields were developed can be set the amount of capital expended and the value of the results achieved. A great new source of national wealth was opened up with exceptional speed. The exploitation of this wealth by the Russians is the largest debit item in the Austrian–Soviet account. But it was only an indirect, and by no means inevitable result of German action and the War.

727 433 In the basic industries also there were certain considerations that offset the disadvantages and dangers of the change of emphasis in Austrian industry that the new developments involved. Had the Linz and Ranshofen works been liabilities[1] alone, they could have been dismantled and abandoned after the War. But large sums of money had been invested in them, which Austria on its own would have had the greatest difficulty in raising. The decision to keep them both going, so far as the supplies of raw materials, coal, and electric current allowed, reflected Austrian realization of their value.

[387] One major item in the economic legacy of the *Anschluss* period was an unqualified asset of great worth. A large nitrogen works suitable for the manufacture of artificial fertilizer was erected during the War at Linz. The site was chosen because the main substance required in the manufacturing process was coal-gas, and surplus gas was available in sufficient quantity from the Hermann Goering coking-plant. By November 1950 the works had produced a million tons of ammonium nitrate since the end of the War. Austrian agriculture had benefited considerably, and during the four years from 1947 to 1950 the export of artificial fertilizer had earned more than $25 million worth of foreign exchange. If foreign markets contract, experts consider that the whole production can be used with advantage in Austria. Food production would increase substantially as a result, and the scale of essential imports would be reduced.

433 Three times in a generation Austria has had to adapt her economy to radical territorial and political change. In 1918,

[1] [Cf. category 116, pp. 75–76 — Analyst]

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[392] 4.) A number of important enterprises of the
[393] electric and machine manufacturing industry (AEG-Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Mühlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

per cent of the world's output of magnesite and thus took second place after the Soviet Union. In producing 9 per cent of the world's graphite output, Austria followed close on the Soviet Union, Korea, and Germany.[4] The output of other minerals was less impressive and there were no great export surpluses.

About fifteen years ago, oil was discovered near the little village of Zistersdorf, near Vienna. Production was started in 1932 at the very low level of 100 tons, but it increased quickly until it reached 33,000 tons in 1937, the last year of Austria's independence. Since then the Germans, in their urgent need for oil, greatly increased the output in this district and annual production reached a level of one to two million tons. This quantity greatly exceeds Austria's peace-time requirements of oil.

As against her lack of coal, Austria is in the fortunate position of having a practically unlimited supply of water power. Although this had by no means been fully harnessed, the 1936 production of 2,680 million kW.h.[5] of electricity sufficed to cover more than half the country's energy requirements. A small proportion of this electricity (340 million kW.h.) was exported.

Stretching the meaning of "natural resources" somewhat beyond its usual limits, two further assets, of great importance to Austria's economy, may be mentioned at this juncture. These are the geographic position of Austria in the heart of Europe, and the beauty of the Austrian towns and countryside. With regard to the first, Austria and particularly Vienna have, ever since the days of the Roman traders, been important junctions of the main European traffic routes. The Danube Valley, opening a gap between the Alps and the Carpathians, provide an east–west route, linking the Balkans with central and western Europe. At the same time the Brenner

[CA p. 12, CAT. 116 — ANALYST]